



COMMONWEALTH of VIRGINIA

SARA REDDING WILSON
DIRECTOR

Department of Human Resource Management

101 N. 14TH STREET
JAMES MONROE BUILDING, 12TH FLOOR
RICHMOND, VIRGINIA 23219
(804) 225-2131
(TTY) 711

September 8, 2005

MEMORANDUM

TO: Agency Human Resource Directors

FROM: Rick Pugh
Director, Agency Human Resource Services

SUBJECT: Fiscal Year 2006 Authorizations and Compensation Activities

Please be advised of the following information concerning compensation activities for fiscal year 2006 (July 1, 2005 through June 30, 2006):

1) Adjustment of the Classified Salary Structure

The Governor and General Assembly have approved a 3.0 percent adjustment of the state salary structure, effective November 25, 2005. Pay Band minimums and maximums will be increased by 3.0 percent on that date (revised ranges are attached). This adjustment to the pay bands will not change the salaries of employees. However, employee salaries will increase, based on performance, as outlined below.

2) 2005 Salary Increases

The General Assembly did not approve variable performance increases as provided in Policy 1.40, Performance Planning and Evaluation. Rather, employees with five or more years of continuous service as of November 25, 2005 (i.e., those with state begin dates of November 25, 2000 or before), and who are rated "Contributor" or "Extraordinary Contributor," will be eligible for a base salary increase of \$50 per year for each completed year of continuous service. Additional details concerning the \$50 per year increases are provided in paragraph G below.

In addition, the Governor and the General Assembly approved a uniform 3.0 percent increase for all classified and other salaried employees (full-time and part-time) who are rated "Contributor" or "Extraordinary Contributor" for performance during the performance cycle ending October 24, 2005.

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The \$50 per year and 3.0% increases will be effective November 25, 2005, and will apply to classified and non-classified salaried employees in the Executive Branch, including at-will employees (chief deputies and confidential assistants for policy or administration), but not including faculty or agency heads.

A) Evaluations:

Performance evaluations for classified employees must be conducted as required by Policy 1.40. Agencies should monitor employees' evaluations to ensure their consistency and reliability. However, agencies may not manage or adjust employees' ratings in an effort to control or reduce the cost of the increases. If the statewide general fund cost exceeds the appropriated amount, then agency distributions from central appropriations will be prorated by the Department of Planning and Budget. This agency's ITech office will send instructions on entering the ratings and processing the performance increases in a separate memorandum. We recommend that agencies also enter ratings into PMIS for salaried non-classified employees (those in Roles 90000 and above) to facilitate processing of their salary adjustments.

B) Agency Heads:

Agency heads will be granted a 4.4% performance increase, rather than the increases described above, if they meet satisfactory performance criteria, as certified by the appointing authority. We recommend that agencies treat these employees the same as classified employees for processing purposes to ensure that their increases are processed in a timely manner. These employees will be included in the file that will be available to agencies for entering ratings. A rating of "C" should be entered to indicate satisfactory performance, while "B" should be entered for any employees whose performance is unsatisfactory. It is the responsibility of each agency to ensure that the appointing authority has certified the agency head's performance.

C) Probationary Employees:

- 1) Performance evaluations must be completed for classified employees who were hired or re-hired between October 25, 2004 and July 24, 2005.
- 2) Agencies may choose to complete performance evaluations for employees who were hired or re-hired between July 25, 2005 and October 24, 2005.
- 3) A 3.0% increase will be applied to the salary of any probationary employee who is rated "Contributor" or "Extraordinary Contributor."
- 4) Employees hired on or after July 25 who are not rated will not receive the 3.0% salary increase. Salaries of unrated employees (and those hired after October 24, 2005) who are hired at the entry of their assigned Pay Bands will fall below the new Pay Band minimum on November 25, 2005.

D) Wage Employees:

The base rates of pay for wage employees may be increased by up to 3.0 percent on November 25, 2005. The cost of such increases shall be borne by funds appropriated to each agency.

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E) Independent Agencies:

Independent agencies may use the funds provided to implement provisions of their existing pay plans.

F) Faculty

Funding for 2005 faculty salary adjustments varies among the colleges and universities. Institutions should contact their assigned analysts at the Department of Planning and Budget if they have questions concerning faculty salary adjustments.

G) Provisions for the \$50 per year Salary Adjustment

Employees must have state begin dates of November 25, 2000 or before in order to qualify for this increase. After the pay bands are adjusted by 3.0%, the increases of \$50 per year of continuous salaried service will be applied to the salaries of qualified employees. Then, the resulting salaries will be adjusted by 3.0%.

Generally, the \$50 per year increase is a base salary adjustment, not a bonus payment. However, because the pay bands are being adjusted only 3.0%, the new maximums may not be sufficient to accommodate the \$50 per year and 3.0% salary increases of employees with many years of experience. Where the new salaries that are computed exceed employees' pay band maximums, employees will receive the amounts above their maximums as one-time, lump-sum payments, as in previous years.

November 25, 2005 will be the calculation date for determining the number of years to multiply by \$50 (i.e., the number of years will be calculated as November 25, 2005 minus the employee's State Begin Date). There is no limit to the number of years that will be credited to an employee. Fractional years of service will be rounded down, so that employees will not get any credit for partial years of service (i.e., only complete years of service will be counted). Periods of wage employment, service purchased for VRS credit, and prior service do not count in determining the amount of the increase.

Continuous salaried service in agencies in other branches of state government, with no break in service, does count but, currently, such service may not be reflected accurately in employees' state begin dates on PMIS. Accordingly, agencies are encouraged to review state begin dates with their employees prior to November 25 to ensure that they are accurate.

There have been inquiries from employees with breaks in service, particularly breaks that were the result of layoffs or other actions beyond the control of the employees. The Appropriation Act does not provide flexibility to treat these employees differently. Accordingly, their service must be computed based on their current continuous salaried service, as indicated by their state begin dates. However, agencies may consider the 13 pay factors to evaluate the need to apply compensation policies in situations where inequities exist. It should be noted that additional funding is not provided for this purpose.

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The amount of the \$50 per year increase will be prorated for part-time salaried employees, who are working less than twelve months per year or less than 100% full-time (40 hours per week or equivalent) on November 25, 2005. For example, a qualifying employee who works 30 hours per week (75%), 12 months per year will be given an increase of \$37.50 per year of service. The lengths of service for part-time employees will be based on their state begin dates, without any adjustment for their percent of full time.

H) Employees on Leave

- 1) Otherwise qualified employees who are on short-term disability or other paid leave will receive the \$50 per year and 3.0% increases effective November 25, 2005.
- 2) Employees on long-term disability- working will also have the salary adjustments applied to their current rates of pay. The adjustments do not apply to employees who are on long-term disability- non-working.
- 3) Periods of long-term disability do not result in revised state begin dates for employees who immediately return to work upon being released by their licensed treating physician. Employees in this situation have not separated from state service and, therefore, their eligibility for the \$50 per year increases is unaffected by the period of disability.
- 4) Employees on leave without pay are not eligible for the \$50 per year or the 3% increases until they return to work or paid leave.

3) Overtime Pay and Differential Authorizations

P-14 authorizations for overtime pay and differentials that are scheduled to end on June 30, 2005 are extended through June 30, 2006. New P-14 forms are not required at this time. If your agency needs approval for an overtime payment or differential that has not been approved previously, you will need to submit a P-14 form.

The P-14 form is on the DHRM website, <http://www.dhrm.state.va.us/forms.html>. A Word version of the form can be filled in and E-mailed to your assigned human resource management consultant using the *File/Send to/mail recipient* menu selections; you can also make internal distribution of the form using the *CC:* feature. The AHRS human resource management consultant will make any necessary changes to the form and forward it to DOA with an indication that it has been approved. A copy of the approval will be returned to you for your records. If your agency does not use Word, you will be able to fill in a PDF version of the form, print it, and then mail or FAX it to your assigned human resource management consultant for processing.

If your agency is a parent agency (e.g., Department of Corrections), for compensation practices that are consistent in all facilities or sub-agencies under the parent, you may choose to send in a single P-14 form rather than separate forms for each sub-agency. However, the agency codes for all sub-agencies covered by the authorization should be listed on the form. Individual P-14 forms will still be required for practices that are unique to single sub-agencies.

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4) Supplements

Supplements, decentralized to agencies in 2000, are payments that are made only when employees meet the criteria for earning them. The decentralized supplements that have been identified include: On-Call Pay, Call-Back Pay, Camp Supplement, Charge Duty, Medication Supplement, Shift Pay, and Working Conditions Supplement. Agencies that want to pay a supplement that has not been previously identified should submit a P-14 request to DHRM for approval. If appropriate, new supplements will be available for use by all agencies.

5) Wage Authorizations (WE-14)

Forms WE-14 for wage employment are not required for hourly employees hired into any existing Role. Contact your assigned human resource management consultant if you need to establish an additional Role solely for the purpose of wage employment. We will continue to monitor use of the pre-approved Roles for wage employees.

6) Demonstration Projects

Agencies may consider compensation demonstration projects. However, agencies will not be permitted to grant salary increases in excess of increases approved for other employees. Demonstration projects must have clearly defined objectives and specified time frames and are limited to two years' duration. Any requests for projects should be discussed with your assigned human resource management consultant before being submitted for approval.

7) Sub-Bands

Where appropriate, the Alternate Band fields on PMIS may be used by agencies to establish Sub-Bands within Pay Bands. Sub-Bands should not be used routinely, but are intended for situations where a clear distinction must be maintained within Roles, such as for rank structures in law enforcement agencies. Agencies wishing to establish or adjust Sub-Bands should notify their assigned human resource management consultant for assistance.

Please ensure that a copy of this memorandum is provided to all human resource staff and to your agency's fiscal officer. If you have questions, please contact the human resource management consultant assigned to your agency.

Attachment

cc: Sara Redding Wilson
David A. Von Moll, State Comptroller